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ORIGINAL

96-98

Mr. Jake E. Jennings
Common Carrier Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Dear Mr. Jennings:

This is a follow up to our July 8 meeting regarding the availability of unbundled network elements (UNEs) in light of the U.S. Supreme Court's decision in *AT&T Corp., et al v. Iowa Utility Board.* You may recall that during the meeting we were asked to submit if possible a comparative analysis of two distinct business strategies -- one that relies solely on resale versus one that employs a UNE-platform approach. We also were requested to analyze the relative cost of switching in both a leased and purchased environment, and the impact of making extended loops available to competitive service providers. The enclosed data and explanatory materials are submitted in response to these requests.[1]

The "Feasibility Gap" In Local Service Resale

In performing a comparative analysis of resale versus UNE-platform, we developed and compiled separate data for every state in the continental United States (see Appendix A). One portion of the study shows the business potential nationwide of pursuing a local service resale strategy and, unfortunately, the results were as disappointing as we had anticipated. The fact is we could not identify a single state where the authorized wholesale discounts were sufficient to ensure that resellers would at least reach the breakeven point, in terms of revenue and expenses, after several years of operation. In most cases, actually, the shortfalls between authorized wholesale discounts and the estimated "breakeven" discounts were enormous, assuring resellers would be deeply in the red at the end of the study period (see Appendix B).

These consistent shortfalls create a "feasibility gap" in local service resale because, as long as they exist, resale of local phone service simply is not feasible as a stand-alone, long-term business strategy. The situation is insidious for two reasons. First, it nearly eliminates a key market-entry channel for small business service providers. Second, it denies consumers the benefits of a healthy resale market – competition, innovation, and choice.

[1] The Competitive Communications Group, a TRA member and long-time consultant to the competitive local exchange industry, compiled the information. CCG is based in Greenbelt, Maryland.

It is important to remember that earlier decisions regarding the size of statutory wholesale discounts are not cast in stone; they can be changed. And carriers are not required to offer state-approved wholesale discounts to the extent they decide to provide deeper wholesale cost reductions.[2] While the general outcome of the study pertaining to local service resale is not surprising, the state-specific data shows the magnitude of the problems facing local resale probably in greater detail than has been revealed previously. It is our hope that the information, particularly the state-by-state "breakeven" discounts we developed, will serve as a guide for all parties with an interest in eliminating the "feasibility gap" and, ultimately, making local service resale work. We trust also it emphasizes the importance of giving new entrants ready access to the UNE-platform.

UNE-Platform

While significant variations exist from one state to another in the retail rate for local exchange service[3] and the cost of unbundled network elements, leasing UNEs generally offers the potential to produce workable earnings and margins.[4] The two primary sensitivities that drive the consistently superior margins for leasing UNEs compared with resale are (1) lower network costs on a per line basis and (2) access revenues that accrue to the competitive local exchange carrier (CLEC) rather than the incumbent local exchange carrier (ILEC).

The cost of leasing the primary network elements, including loops, network interface devices (NIDs), collocation space, cross-connects and transport vary by state. Even with those state-by-state variances considered, however, the costs on a per subscriber line basis are lower than the resale costs. Because of meager wholesale margins, cost-of-service in a resale environment consumes approximately 80% of a CLEC's revenues before the company even considers a pricing discount to the retail customer. If a CLEC plans to offer a 10% price reduction to the customer, then a full 90% of the company's revenues have been consumed before any true operating expenses are considered.

Most operating expenses incurred by CLECs will be roughly equivalent whether leasing UNEs or utilizing resale. These costs include billing, customer service, sales and marketing, and general and administrative overheads such as accounting and insurance. Our study indicates that costs are relatively constant on a per subscriber line basis. The study also shows that well-managed companies which utilize UNEs have the potential to produce sufficient revenue to cover these costs. But again, the central problem with resale is that the per-line operating expenses exceed state-authorized wholesale margins, making it impossible to generate positive cash flow.

Given the lack of a ubiquitous UNE platform, the enclosed study did not measure the exact margin differences between a UNE and UNE platform approach. However, a previous study[5] indicated a breakeven point of approximately 10,000 subscriber lines as the threshold where purchasing rather than leasing a switch becomes economically advantageous for a CLEC. Given the fact that loop, NID and transport costs are largely unaffected regardless of whether a CLEC

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[2] Bell Atlantic, for example, entered into a resale contract with UniDial Communications, based in Louisville, Kentucky, which increased UniDial's wholesale discount by 10 percent the first year, 13 percent the second year, and 15 percent for the final three years of the contract. The discounts are contingent on UniDial meeting certain annual volume commitments.

[3] Defined as the Incumbent Local Exchange Carrier (ILEC) flat rate price charged for a business or residential voice line, including touch tone and surcharges. In cases where flat rate is not available, CCG estimated 500 local minutes of use per month and 100 local calls. In addition, a blended rate of 75% business and 25% residential was used.

[4] Earnings and margins are in terms of EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization).

[5] See Appendix II of TRA Comments in CC Docket No. 96-98, *Implementation of Local Competition Provisions in the Telecommunications Act of 1996*, filed May 26, 1999.

purchases or leases switching, the results of this study will be similar for UNEs and a UNE platform.

Our analysis confirms that in order to facilitate the advancement of competition a UNE platform approach, in which new entrants may lease all necessary network components in an economically efficient manner, must be readily available. In some cases, a CLEC will choose to purchase a switch from a third party vendor. In other cases, the economics of a particular market, such as small size or distinct segmentation, will support leased switching as the appropriate alternative.

Relative Cost Component of Switching

An attached analysis (see Appendix C) compares the cost of switching for a competitive local exchange carrier (CLEC) with the costs of other key unbundled network elements. Those elements are transport, leasing unbundled loops, and ancillary services (including operator services and non-recurring charges).

The results indicate that for small CLECs, the required purchase of a switch would consume approximately 40% of total costs, compared with 13% for leased switching capacity. Not surprisingly, purchasing a switch becomes more economically attractive to a CLEC as its subscriber base increases. The data, in fact, underscores the position advanced consistently by TRA -- that use of UNEs is a natural progression toward future facility deployment.

Extended Loops

An enclosed white paper on extended loops (see Appendix D) provides some insight into their function, their potential benefit to CLECs, and certain technical problems which might be encountered in provisioning such loops and how they might be corrected. Due to their limited use and uncertain cost structure, however, the paper makes it abundantly clear that making extended loops available to competitive carriers does not justify the elimination of switching as an unbundled network element.

* * *

TRA encourages the FCC to consider the enclosed information to further its evaluation of the on-going necessity of UNEs, particularly switching, and to ensure that the three-prong approach to competitive local markets (i.e., resale, unbundled network elements and facilities-based interconnection) is not just maintained, but strengthened.

Sincerely,

David Gusky
Executive Vice President

Enclosures

Appendix A

Comparative Analysis
Resale versus UNE-Platform EBITDA

TRA
Proforma Financial Summaries

	States	Unbundled Network Elements EBIDTA Year 5	Resale EBIDTA Year 5
1	Alabama	1,075,928	(831,518)
2	Arizona	992,172	(742,963)
3	Arkansas	1,111,997	(773,761)
4	California	2,346,152	(681,010)
5	Colorado	1,289,753	(790,068)
6	Connecticut	1,215,387	(327,326)
7	Delaware	1,199,030	(924,029)
8	Florida	1,355,757	(655,918)
9	Georgia	1,791,425	(480,184)
10	Idaho	886,150	(786,507)
11	Illinois	1,591,781	(581,588)
12	Indiana	1,911,854	(325,004)
13	Iowa	1,272,741	(697,948)
14	Kanas	1,226,783	(748,318)
15	Kentucky	1,260,163	(745,633)
16	Louisiana	1,259,222	(619,597)
17	Maine	948,690	(647,102)
18	Maryland	1,662,011	(777,976)
19	Massachusetts	1,607,322	(420,587)
20	Michigan	2,029,260	(370,467)
21	Minnesota	1,861,922	(488,189)
22	Mississippi	1,739,016	(674,877)
23	Missouri	1,366,421	(535,489)
24	Montana	961,465	(846,874)
25	Nebraska	1,269,377	(565,938)
26	Nevada	982,184	(912,278)
27	New Hampshire	1,626,176	(610,741)
28	New Jersey	1,763,518	(674,897)
29	New Mexico	1,670,925	(660,751)
30	New York	1,997,888	(582,933)
31	North Carolina	1,764,821	(521,007)
32	North Dakota	1,287,316	(733,716)
33	Ohio	2,117,911	(732,281)
34	Oklahoma	1,453,555	(627,550)
35	Oregon	1,364,222	(602,645)
36	Pennsylvania	2,616,636	(472,816)
37	Rhode Island	1,902,558	(607,987)
38	South Carolina	1,487,714	(730,825)
39	South Dakota	1,314,786	(836,944)
40	Tennessee	1,431,165	(727,453)
41	Texas	1,589,143	(434,497)
42	Utah	960,295	(907,460)
43	Vermont	1,902,558	(401,365)
44	Virginia	1,882,622	(619,391)
45	Washington	870,417	(789,230)
46	Washington D.C.	1,872,485	(689,348)
47	West Virginia	2,168,645	(627,499)
48	Wisconsin	1,752,710	(613,203)
49	Wyoming	826,259	(702,363)

TRA
Proforma Financial Summaries

	States	Unbundled Network Elements EBIDTA Margins Year 5	Resale EBIDTA Margins Year 5
1	Alabama	27.30%	-26.90%
2	Arizona	25.00%	-23.90%
3	Arkansas	26.40%	-23.00%
4	California	47.20%	-16.60%
5	Colorado	31.30%	-24.20%
6	Connecticut	29.80%	-10.20%
7	Delaware	32.30%	-32.40%
8	Florida	32.70%	-20.00%
9	Georgia	36.10%	-11.70%
10	Idaho	22.10%	-24.90%
11	Illinois	38.30%	-17.60%
12	Indiana	40.70%	-8.50%
13	Iowa	32.70%	-23.00%
14	Kanas	28.30%	-21.50%
15	Kentucky	30.80%	-23.00%
16	Louisiana	30.40%	-18.90%
17	Maine	23.00%	-19.80%
18	Maryland	39.10%	-22.90%
19	Massachusetts	35.60%	-11.50%
20	Michigan	42.90%	-9.60%
21	Minnesota	41.80%	-13.60%
22	Mississippi	37.00%	-17.60%
23	Missouri	32.00%	-15.70%
24	Montana	23.10%	-25.60%
25	Nebraska	29.50%	-16.40%
26	Nevada	25.30%	-30.10%
27	New Hampshire	36.50%	-17.00%
28	New Jersey	40.50%	-19.30%
29	New Mexico	36.50%	-17.80%
30	New York	43.40%	-15.60%
31	North Carolina	38.90%	-14.10%
32	North Dakota	30.80%	-22.10%
33	Ohio	46.00%	-19.50%
34	Oklahoma	34.10%	-19.70%
35	Oregon	32.60%	-18.10%
36	Pennsylvania	44.00%	-12.50%
37	Rhode Island	39.00%	-15.10%
38	South Carolina	33.10%	-20.10%
39	South Dakota	30.80%	-24.60%
40	Tennessee	33.60%	-21.40%
41	Texas	37.30%	-10.60%
42	Utah	24.80%	-30.20%
43	Vermont	39.00%	-10.00%
44	Virginia	43.10%	-17.60%
45	Washington	23.80%	-28.20%
46	Washington D.C.	42.40%	-19.40%
47	West Virginia	41.40%	-14.30%
48	Wisconsin	39.70%	-17.20%
49	Wyoming	20.50%	-22.10%

COMPANY X
PROFORMA FINANCIAL STATEMENTS

Summary of Financing
Massachusetts UNE

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Finance Requirements:										
1	Outstanding Principal (beginning of period)	14	98	355,218	287,784	75,654	-159,809	-421,174	-711,288	-1,033,315	-1,390,764
2	Additional Loan Amounts	1,580,250	504,000	120,000	0	0	0	0	0	0	0
3	Interest Payment	86,914	194,219	212,163	198,144	174,810	148,909	120,159	88,247	52,624	13,504
4	Principal Payment	39	148,879	187,434	212,130	235,464	261,365	290,115	322,027	357,450	396,770
5	Outstanding Principal (end of period)	98	355,218	287,784	75,654	-159,809	-421,174	-711,288	-1,033,315	-1,390,764	-1,787,534

Income Statement
Massachusetts UNE

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Operating Revenue										
6	Local Service Revenue	75,628	692,094	1,140,298	1,577,345	2,003,478	2,420,245	2,826,099	3,222,667	3,609,136	3,986,318
7	Vertical Service Revenues	7,236	55,452	91,116	125,760	159,420	192,192	223,980	254,880	284,940	314,112
8	Non-Recurring Charge Revenue	112	1,956	3,212	4,438	5,621	45,877	46,998	48,089	49,146	50,175
9	Number Portability	1	0	0	0	0	0	0	0	0	0
10	Interstate Access Revenue	20,127	233,772	385,374	534,111	678,797	820,697	959,759	1,095,468	1,227,851	1,356,921
11	Intrastate Access Revenue	20,147	69,914	114,926	158,341	200,776	241,976	281,616	320,384	357,991	394,762
12	Interstate Toll Revenue	9,802	109,152	180,569	236,069	300,422	343,267	400,207	456,701	511,788	566,326
13	Intrastate Toll Revenue	9,336	103,937	171,850	224,625	285,727	326,383	380,358	433,858	485,985	537,524
14	Voice Mail	215,000	255,000	270,000	350,000	380,000	451,000	479,000	511,000	482,000	520,896
15	DS1 Data Revenue	130,000	0	262,800	363,600	460,800	558,000	655,200	748,800	836,800	928,800
16	Data Circuit Revenue	1,980	22,320	37,440	51,120	65,520	79,200	92,160	105,120	118,080	130,320
17	Wholesale Transport Revenue	0	0	0	0	0	0	0	0	0	0
18	ADSL Revenue	0	0	0	0	0	0	0	0	0	0
19	Inside Wire Maintenance	0	0	0	0	0	0	0	0	0	0
20	SS7 Data Dip Revenue	161	1,250	2,059	2,849	3,619	4,372	5,108	5,823	6,522	7,205
21	Operator Revenue	1,329	13,613	22,491	31,012	39,413	47,615	55,481	63,252	70,821	78,270
22	Directory Assistance Revenue	5,602	16,618	27,302	37,670	47,736	57,528	67,018	76,248	85,205	93,902
23	Internet Revenue	0	0	0	0	0	0	0	0	0	0
24	Lan / Wan Revenue	0	0	0	0	0	0	0	0	0	0
25	CPE Leasing	0	0	0	0	0	0	0	0	0	0
26	CPE Sales	0	0	0	0	0	0	0	0	0	0
27	PBX Sales Revenue	0	0	0	0	0	0	0	0	0	0
28	CATV	0	0	0	0	0	0	0	0	0	0
29	Directory Revenues	0	0	0	0	0	0	0	0	0	0
30	Storefronts	0	0	0	0	0	0	0	0	0	0
31	Universal Service Payments	0	0	0	0	0	0	0	0	0	0
32	Total Revenues	496,461	1,575,077	2,709,437	3,696,939	4,631,328	5,588,372	6,472,982	7,342,290	8,128,264	8,965,531
33	Less Bad Debt:	12,412	39,377	67,736	92,423	115,783	139,709	161,825	183,557	203,207	224,138
34	Net Revenues	484,049	1,535,700	2,641,701	3,604,516	4,515,545	5,448,663	6,311,157	7,158,733	7,925,057	8,741,393
	Cost of Goods Sold										
35	Less COGs	120,591	394,790	628,717	855,221	1,075,821	1,290,650	1,498,298	1,701,022	1,897,827	2,089,487
36	Less Storefront COGs	0	0	0	0	0	0	0	0	0	0
37	Gross Margin	363,458	1,140,911	2,012,984	2,749,295	3,439,724	4,158,013	4,812,859	5,457,711	6,027,230	6,651,906

	Operating Expenses										
38	Vehicle Expense		0	0	0	0	0	0	0	0	0	0
39	Tools & Equipment		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
40	Building Maintenance		88,200	88,200	88,200	88,200	88,200	88,200	88,200	88,200	88,200	88,200
41	Computer - PC		9,600	10,200	10,800	10,800	11,400	12,000	12,600	12,600	13,200	13,200
42	Switching Equipment Expense		64,400	64,720	66,305	69,707	73,930	78,225	82,596	87,046	91,578	96,195
43	Fiber Terminal Equipment Expense		0	0	0	0	0	0	0	0	0	0
44	Network - Loop / Installers		48,000	47,120	46,305	47,307	49,130	51,025	52,996	55,046	57,178	59,395
45	Trunk Expense		28,800	43,200	54,000	68,400	82,800	93,600	104,400	115,200	129,600	144,000
46	Leased Network		0	0	0	0	0	0	0	0	0	0
47	Interconnection		35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
48	Trouble Reporting / Dispatch		29,500	49,750	51,765	53,862	109,193	113,591	118,165	122,925	127,876	133,026
49	Engineering		0	0	0	0	0	0	0	0	0	0
50	Plant Supervision		81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000
51	Advertising & Marketing		32,096	34,184	38,086	42,292	46,826	51,705	56,953	62,602	68,663	75,170
52	Sales Expense		77,850	138,600	140,828	144,945	149,187	153,554	158,052	162,685	167,458	172,373
53	Customer Service		242,925	242,925	251,862	261,158	270,825	280,879	291,336	302,209	313,517	325,276
54	Billing		30,316	54,667	90,199	125,027	159,775	194,244	228,198	262,196	295,937	329,862
55	Executive		150,000	154,500	159,136	163,910	168,827	173,892	179,109	184,482	190,017	195,717
56	General Accounting		99,932	103,129	189,944	200,073	298,043	313,313	423,858	445,237	569,985	598,639
57	External Relations		0	3,500	47,550	53,130	55,330	57,622	60,009	62,496	65,088	67,788
58	Human Resources		0	5,000	49,125	51,143	53,244	55,431	57,709	60,081	62,552	65,125
59	Legal Expense		50,000	40,000	25,000	10,000	10,500	11,025	11,576	12,155	12,763	13,401
60	Other Gen & Admin		127,000	89,000	55,450	56,973	58,572	60,251	62,013	63,864	65,807	67,848
61	Depreciation		60,863	129,525	142,825	155,075	168,125	181,175	194,225	206,475	219,525	229,900
62	Storefront Depreciation		0	0	0	0	0	0	0	0	0	0
63	Property Tax		0	32,584	30,918	30,504	29,620	30,291	28,771	26,889	24,385	21,722
64	Revenue Share / Agency		0	0	0	0	0	0	0	0	0	0
65	Franchise Fee		0	0	0	0	0	0	0	0	0	0
66	Storefront Expense		0	0	0	0	0	0	0	0	0	0
67	Total Operating Expenses		1,258,482	1,447,604	1,655,297	1,749,506	2,000,527	2,117,023	2,327,766	2,449,367	2,680,328	2,813,837
68	Net Operating Income		(893,024)	(306,893)	357,686	999,789	1,439,197	2,040,991	2,485,092	3,008,324	3,346,902	3,838,069
69	Interest Expense		86,914	194,219	212,163	198,144	174,810	148,909	120,159	88,247	52,824	13,504
70	Net Income Before Taxes		(979,938)	(501,112)	145,523	801,645	1,264,387	1,892,082	2,364,933	2,920,077	3,294,078	3,824,565
71	Income Taxes	38%	0	0	55,299	304,625	480,467	718,991	898,675	1,109,629	1,251,750	1,453,335
72	Net Income		(979,938)	(501,112)	90,225	497,020	783,920	1,173,091	1,466,259	1,810,448	2,042,328	2,371,230
73	Cumulative Net Income		(979,938)	(1,481,050)	(1,390,825)	(893,805)	(109,885)	1,063,205	2,529,464	4,339,912	6,382,240	8,753,471

Cash Flow Statement
Massachusetts UNE

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Cash Flow From Operations										
74	Net Income	(979,938)	(501,112)	90,225	497,020	783,920	1,173,091	1,486,259	1,810,448	2,042,328	2,371,230
75	Plus Depreciation and Amortization	60,863	129,525	142,825	155,075	168,125	181,175	194,225	206,475	219,525	229,900
76	Less Increase in Accounts Receivable	(40,337)	(87,638)	(92,167)	(80,235)	(75,919)	(77,760)	(71,874)	(70,631)	(83,860)	(68,028)
77	Plus Increase in Accounts Payable	99,635	10,222	16,183	6,830	19,831	8,620	16,474	9,114	18,158	10,261
78	Net Cash Provided by Operations:	(859,777)	(449,003)	157,066	578,690	895,957	1,285,126	1,605,084	1,955,406	2,216,151	2,543,364
	Use of Cash from Investing Activities										
79	Equipment	(1,147,000)	(74,000)	(129,000)	(125,625)	(190,500)	(130,500)	(131,500)	(123,000)	(130,750)	(126,750)
80	Storefront Equipment	0	0	0	0	0	0	0	0	0	0
81	Total use of Cash from Investing	(1,147,000)	(74,000)	(129,000)	(125,625)	(190,500)	(130,500)	(131,500)	(123,000)	(130,750)	(126,750)
	Cash Flows From Financing Activities										
82	Bank Financing	1,580,250	504,000	120,000	0	0	0	0	0	0	0
83	Principal Repayment	(39)	(148,879)	(187,434)	(212,130)	(235,464)	(261,365)	(290,115)	(322,027)	(357,450)	(396,770)
84	Dividends Paid	0	0	0	0	0	0	0	0	0	0
85	Owners' Contribution	526,750	168,000	40,000	0	0	0	0	0	0	0
86	Total Cash Flows from Financing Activities	2,106,961	523,121	(27,434)	(212,130)	(235,464)	(261,365)	(290,115)	(322,027)	(357,450)	(396,770)
87	Net Increase (Decrease) in Cash	(2,006,777)	117	631	240,936	469,993	893,262	1,183,469	1,510,379	1,727,951	2,019,844
88	Cash, beginning of period	2,106,961	100,184	100,301	100,932	341,868	811,862	1,705,123	2,888,592	4,398,972	6,126,923
89	Cash, end of period	100,184	100,301	100,932	341,868	811,862	1,705,123	2,888,592	4,398,972	6,126,923	8,146,767

COMPANY X
PROFORMA FINANCIAL STATEMENTS
Balance Sheet
Massachusetts UNE

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Assets										
1	Cash	100,184	100,301	100,932	341,868	811,862	1,705,123	2,888,592	4,398,972	6,126,923	8,146,767
2	Accounts Receivable	40,337	127,975	220,142	300,376	376,295	454,055	525,930	596,561	660,421	728,449
3	Vehicles	0	0	0	0	0	0	0	0	0	0
4	Other Work Equipment	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
5	Buildings	0	0	0	0	0	0	0	0	0	0
6	Furniture	50,500	60,500	65,500	68,000	70,500	73,000	75,500	78,000	80,500	83,000
7	Computers - PC	64,000	68,000	72,000	72,000	76,000	80,000	84,000	84,000	88,000	88,000
8	Central Office Switch	820,000	880,000	1,000,000	1,120,000	1,240,000	1,360,000	1,480,000	1,600,000	1,720,000	1,840,000
9	Fiber Electronics	0	0	0	0	0	0	0	0	0	0
10	T1 Terminations	0	0	0	0	0	0	0	0	0	0
11	Interconnect Equipment	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
12	Cable & Wire Loop	0	0	0	0	0	0	0	0	0	0
13	Fiber Network	0	0	0	0	0	0	0	0	0	0
14	CATV	0	0	0	0	0	0	0	0	0	0
15	Internet Equipment	0	0	0	0	0	0	0	0	0	0
16	Plant Under Construction	0	0	0	0	0	0	0	0	0	0
17	Storefront Equipment	0	0	0	0	0	0	0	0	0	0
18	Less Accumulated Depreciation	(60,863)	(190,388)	(333,213)	(485,163)	(589,288)	(766,463)	(955,888)	(1,161,863)	(1,376,938)	(1,602,588)
19	Storefront Accumulated Depreciation	0	0	0	0	0	0	0	0	0	0
20	**Total Assets**	1,226,658	1,258,888	1,337,861	1,629,582	2,197,869	3,118,216	4,310,834	5,808,370	7,511,406	9,496,128
	Liabilities										
21	Long Term Debt	98	355,218	287,784	75,654	(159,809)	(421,174)	(711,288)	(1,033,315)	(1,390,764)	(1,787,534)
22	Accounts Payable	99,635	109,857	126,039	132,869	152,700	161,321	177,795	186,909	205,067	215,328
23	**Total Liabilities**	99,732	465,075	413,823	208,524	(7,109)	(259,853)	(533,493)	(846,405)	(1,185,697)	(1,572,206)
	Owners' Equity										
24	Common Stock	526,750	694,750	734,750	734,750	734,750	734,750	734,750	734,750	734,750	734,750
25	Retained Earnings	(979,938)	(1,481,050)	(1,390,825)	(893,805)	(109,885)	1,063,205	2,529,464	4,339,912	6,382,240	8,753,471
26	**Total Owners' Equity**	(453,188)	(786,300)	(656,075)	(159,055)	624,865	1,797,955	3,264,214	5,074,662	7,116,990	9,488,221

CO' 'Y X
PROFORMA FIN. ⊥ STATEMENTS

Massachusetts UNE

	Financial Tests		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Debt Service Coverage:	[Objective is >1.25]										
1	Net Income (or loss)		14	(501,112)	90,225	497,020	783,920	1,173,091	1,466,259	1,810,448	2,042,328	2,371,230
2	Interest Expense		86,914	194,219	212,163	198,144	174,810	148,909	120,159	88,247	52,824	13,504
3	Depreciation & Amortization		60,863	129,525	142,825	155,075	168,125	181,175	194,225	206,475	219,525	229,900
4	Debt Service Coverage Ratio		39.13	(0.52)	1.11	2.07	2.75	3.66	4.34	5.13	5.64	6.37
	Equity to Total Assets:	[Objective is >25%]										
5	Equity		13	(786,300)	(656,075)	(159,055)	624,865	1,797,955	3,264,214	5,074,662	7,116,990	9,488,221
6	Total Assets		1,226,658	1,258,888	1,337,861	1,629,582	2,197,869	3,118,216	4,310,834	5,808,370	7,511,406	9,496,128
7	Equity to Total Asset Ratio		0%	-62%	-49%	-10%	28%	58%	76%	87%	95%	100%
	Current Ratio:	[Objective is >1.0]										
8	Current Assets		1,226,658	1,258,888	1,337,861	1,629,582	2,197,869	3,118,216	4,310,834	5,808,370	7,511,406	9,496,128
9	Current Liabilities		99,732	465,075	413,823	208,524	(7,109)	(259,853)	(533,493)	(846,405)	(1,185,697)	(1,572,206)
10	Current Ratio		1.00	2.71	3.23	7.81	(309.16)	(12.00)	(8.08)	(6.86)	(6.34)	(6.04)
	Debt to Operating Cash Flow:											
11	Total Debt		98	355,218	287,784	75,654	(159,809)	(421,174)	(711,288)	(1,033,315)	(1,390,764)	(1,787,534)
12	Net Income		215,000	255,000	270,000	350,000	380,000	451,000	479,000	511,000	482,000	2,371,230
13	Income Tax Expense		130,000	0	55,299	304,625	480,467	718,991	898,675	1,109,629	1,251,750	1,453,335
14	Interest Expense		86,914	194,219	212,163	198,144	174,810	148,909	120,159	88,247	52,824	13,504
15	Depreciation & Amortization		60,863	129,525	142,825	155,075	168,125	181,175	194,225	206,475	219,525	229,900
16	Period Total Cash Flow		492,875	933,962	968,071	1,083,499	1,043,593	1,078,901	980,770	882,037	615,334	2,280,435
17	Less Cash From Financing		2,106,961	523,121	(27,434)	(212,130)	(235,464)	(261,365)	(290,115)	(322,027)	(357,450)	(396,770)
18	Period Operating Cash Flow		(1,614,086)	410,842	995,505	1,295,628	1,279,056	1,340,266	1,270,885	1,204,063	972,784	2,677,205
19	Debt to Operating Cash Flow Ratio		(0.00)	0.86	0.29	0.06	(0.12)	(0.31)	(0.56)	(0.86)	(1.43)	(0.67)
	EBITDA Margin											
20	Total Revenues		484,049	1,535,700	2,641,701	3,804,516	4,515,545	5,448,663	6,311,157	7,158,733	7,925,057	8,741,393
21	Operating Expenses		1,316,210	1,713,069	2,141,189	2,449,652	2,908,223	3,226,497	3,631,839	3,943,934	4,358,630	4,673,424
22	EBITDA		(832,161)	(177,368)	500,511	1,154,864	1,607,322	2,222,166	2,679,317	3,214,799	3,566,427	4,067,969
23	EBITDA Margin		-171.9%	-11.5%	18.9%	32.0%	35.6%	40.8%	42.5%	44.9%	45.0%	46.5%
24	Accumulated EBITDA		(832,161)	(1,009,529)	(509,017)	645,847	2,253,169	4,475,334	7,154,652	10,369,451	13,935,878	18,003,847
	Internal Rate of Return											
25	EBITDA		(832,161)	(177,368)	500,511	1,154,864	1,607,322	2,222,166	2,679,317	3,214,799	3,566,427	4,067,969
26	Capital Expenditures		1,147,000	74,000	129,000	125,625	190,500	130,500	131,500	123,000	130,750	126,750
27	Net		(1,979,161)	(251,368)	371,511	1,029,239	1,416,822	2,091,666	2,547,817	3,091,799	3,435,677	3,941,219
28	5-Year Return		22.7%									
29	10-Year Return		42.6%									
	Exit Multiples											
	Based on Access Lines											
30	Access Lines		800	1,600	2,400	3,200	4,000	4,800	5,600	6,400	7,200	8,000
31	Sale Value per Access Line		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
32	Sale Value Net of Debt		1,999,902	3,644,782	5,712,216	7,924,346	10,158,809	12,421,174	14,711,288	17,033,315	19,390,764	21,787,534
	Based on EBITDA											
33	EBITDA		(832,161)	(177,368)	500,511	1,154,864	1,607,322	2,222,166	2,679,317	3,214,799	3,566,427	4,067,969
34	EBITDA Multiple		6	6	6	6	6	6	6	6	6	6
35	Sale Value Net of Debt		(4,993,062)	(1,419,428)	2,715,285	6,853,533	9,803,740	13,754,167	16,787,192	20,322,111	22,789,328	26,195,348
	Based on Net Income											
36	Net Income		(979,938)	(501,112)	90,225	497,020	783,920	1,173,091	1,466,259	1,810,448	2,042,328	2,371,230
37	Net Income Multiple		10	10	10	10	10	10	10	10	10	10
38	Sale Value Net of Debt		(9,799,474)	(5,366,341)	614,462	4,894,548	7,999,008	12,152,080	15,373,874	19,137,794	21,814,049	25,499,837

TRA Project

Simple Variable Input

One Party Residential Rate	17.83
Subscriber Line Charge	3.50
One-Party Business Rate	27.62
Trunk Rate	92.03
Subscriber Line Charge	8.13
Unbundled Loop Rate	20.04
Loop Nonrecurring Rate	40.00

State — Massachusetts UNE / Massachusetts Resale

FLAG — 1 = Resale, 2 = UNE Loops: 2

Owner's Contribution	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resale	196,750	254,250	272,000	290,750	378,000	417,250	500,500	532,250	571,250	643,750
UNE	526,750	168,000	40,000							

COMPANY X
PROFORMA FINANCIAL STATEMENTS

Summary of Financing
Massachusetts Resale

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Finance Requirements:										
1	Outstanding Principal (beginning of period)	14	98	606,099	1,136,063	1,580,387	2,121,055	2,586,000	3,077,763	3,497,608	3,926,901
2	Additional Loan Amounts	582,000	681,750	665,250	644,250	819,000	837,000	974,250	988,500	1,080,500	934,500
3	Interest Payment	32,010	98,817	164,570	221,711	280,198	340,662	399,355	399,864	337,312	267,879
4	Principal Payment	39	75,749	135,286	199,926	278,331	372,055	482,487	568,655	631,207	700,640
5	Outstanding Principal (end of period)	98	606,099	1,136,063	1,580,387	2,121,055	2,586,000	3,077,763	3,497,608	3,926,901	4,160,760

Income Statement
Massachusetts Resale

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Operating Revenue										
6	Local Service Revenue	75,628	692,094	1,140,298	1,577,345	2,003,478	2,420,245	2,826,099	3,222,687	3,609,136	3,986,318
7	Vertical Service Revenues	7,236	55,452	91,116	125,760	159,420	192,192	223,980	254,880	284,940	314,112
8	Non-Recurring Charge Revenue	112	1,956	3,212	4,438	5,621	45,877	46,998	48,089	49,146	50,175
9	Number Portability	1	0	0	0	0	0	0	0	0	0
10	Interstate Access Revenue	0	0	0	0	0	0	0	0	0	0
11	Intrastate Access Revenue	0	0	0	0	0	0	0	0	0	0
12	Interstate Toll Revenue	9,802	109,152	180,569	236,069	300,422	343,287	400,207	456,701	511,788	566,326
13	Intrastate Toll Revenue	9,336	103,937	171,850	224,625	285,727	326,383	380,358	433,858	485,985	537,524
14	Voice Mail	215,000	255,000	270,000	350,000	380,000	451,000	479,000	511,000	482,000	655,080
15	DS1 Data Revenue	130,000	0	262,800	363,600	460,800	558,000	655,200	748,800	838,800	928,800
16	Data Circuit Revenue	1,980	22,320	37,440	51,120	65,520	79,200	92,160	105,120	118,080	130,320
17	Wholesale Transport Revenue	0	0	0	0	0	0	0	0	0	0
18	ADSL Revenue	0	0	0	0	0	0	0	0	0	0
19	Inside Wire Maintenance	0	0	0	0	0	0	0	0	0	0
20	SS7 Data Dip Revenue	161	1,250	2,059	2,849	3,619	4,372	5,106	5,823	6,522	7,205
21	Operator Revenue	1,329	13,613	22,491	31,012	39,413	47,615	55,481	63,252	70,821	78,270
22	Directory Assistance Revenue	5,602	16,618	27,302	37,670	47,736	57,528	67,018	76,248	85,205	93,902
23	Internet Revenue	0	0	0	0	0	0	0	0	0	0
24	Lan / Wan Revenue	0	0	0	0	0	0	0	0	0	0
25	CPE Leasing	0	0	0	0	0	0	0	0	0	0
26	CPE Sales	0	0	0	0	0	0	0	0	0	0
27	PBX Sales Revenue	0	0	0	0	0	0	0	0	0	0
28	CATV	0	0	0	0	0	0	0	0	0	0
29	Directory Revenues	0	0	0	0	0	0	0	0	0	0
30	Storefronts	0	0	0	0	0	0	0	0	0	0
31	Universal Service Payments	0	0	0	0	0	0	0	0	0	0
32	Total Revenues	456,187	1,271,391	2,209,137	3,004,487	3,751,755	4,525,699	5,231,607	5,926,438	6,542,422	7,348,032
33	Less Bad Debt	11,405	31,785	55,228	75,112	93,794	113,142	130,790	148,161	163,561	183,701
34	Net Revenues	444,782	1,239,606	2,153,909	2,929,375	3,657,961	4,412,557	5,100,817	5,778,277	6,378,861	7,164,331
	Cost of Goods Sold										
35	Less COGs	95,777	903,148	1,490,391	2,060,273	2,616,542	3,200,883	3,732,450	4,251,679	4,756,954	5,251,763
36	Less Storefront COGs	0	0	0	0	0	0	0	0	0	0
37	Gross Margin	349,005	336,458	663,518	869,102	1,041,419	1,211,674	1,368,367	1,526,598	1,621,907	1,912,568

	Operating Expenses										
38	Vehicle Expense		0	0	0	0	0	0	0	0	0	0
39	Tools & Equipment		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
40	Building Maintenance		67,200	67,200	67,200	67,200	67,200	67,200	67,200	67,200	67,200	67,200
41	Computer - PC		9,600	10,200	10,800	10,800	11,400	12,000	12,600	12,600	13,200	13,200
42	Switching Equipment Expense		0	0	0	0	0	0	0	0	0	0
43	Fiber Terminal Equipment Expense		0	0	0	0	0	0	0	0	0	0
44	Network - Loop / Installers		0	0	0	0	0	0	0	0	0	0
45	Trunk Expense		0	0	0	0	0	0	0	0	0	0
46	Leased Network		0	0	0	0	0	0	0	0	0	0
47	Interconnection		0	0	0	0	0	0	0	0	0	0
48	Trouble Reporting / Dispatch		29,500	49,750	51,765	53,862	109,193	113,591	118,165	122,925	127,876	133,026
49	Engineering		0	0	0	0	0	0	0	0	0	0
50	Plant Supervision		0	0	0	0	0	0	0	0	0	0
51	Advertising & Marketing		32,096	34,184	38,086	42,292	46,826	51,705	56,953	62,602	68,663	75,170
52	Sales Expense		77,850	138,600	140,828	144,945	149,187	153,554	158,052	162,685	167,458	172,373
53	Customer Service		242,925	242,925	251,862	261,158	270,825	280,879	291,336	302,209	313,517	325,276
54	Billing		30,316	54,667	90,199	125,027	159,775	194,244	228,198	262,196	295,937	329,862
55	Executive		150,000	154,500	159,136	163,910	168,827	173,892	179,109	184,482	190,017	195,717
56	General Accounting		99,932	103,129	189,944	200,073	298,043	313,313	423,858	445,237	569,985	598,639
57	External Relations		0	3,500	47,550	53,130	55,330	57,622	60,009	62,496	65,088	67,788
58	Human Resources		0	5,000	49,125	51,143	53,244	55,431	57,709	60,081	62,552	65,125
59	Legal Expense		50,000	40,000	25,000	10,000	10,500	11,025	11,576	12,155	12,763	13,401
60	Other Gen & Admin		127,000	89,000	55,450	56,973	58,572	60,251	62,013	63,864	65,807	67,848
61	Depreciation		8,988	19,775	21,075	21,325	22,375	23,425	24,475	24,725	25,775	25,650
62	Storefront Depreciation		0	0	0	0	0	0	0	0	0	0
63	Property Tax		0	3,165	2,992	2,630	2,084	3,528	3,140	2,751	2,099	1,648
64	Revenue Share / Agency		0	0	0	0	0	0	0	0	0	0
65	Franchise Fee		0	0	0	0	0	0	0	0	0	0
66	Storefront Expense		0	0	0	0	0	0	0	0	0	0
67	Total Operating Expenses		926,407	1,016,595	1,202,011	1,265,468	1,484,381	1,572,660	1,755,393	1,849,208	2,048,937	2,152,923
68	Net Operating Income		(577,402)	(680,137)	(538,493)	(396,366)	(442,962)	(360,986)	(387,027)	(322,610)	(427,030)	(240,355)
69	Interest Expense		32,010	98,817	164,570	221,711	280,198	340,662	399,355	399,864	337,312	267,879
70	Net Income Before Taxes		(609,412)	(778,954)	(703,063)	(618,077)	(723,160)	(701,648)	(786,382)	(722,474)	(764,342)	(508,234)
71	Income Taxes	38%	0	0	0	0	0	0	0	0	0	0
72	Net Income		(609,412)	(778,954)	(703,063)	(618,077)	(723,160)	(701,648)	(786,382)	(722,474)	(764,342)	(508,234)
73	Cumulative Net Income		(609,412)	(1,388,366)	(2,091,429)	(2,709,506)	(3,432,666)	(4,134,314)	(4,920,696)	(5,643,170)	(6,407,512)	(6,915,746)

Cash Flow Statement
Massachusetts Resale

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Cash Flow From Operations										
74	Net Income	(609,412)	(778,954)	(703,063)	(618,077)	(723,160)	(701,848)	(786,382)	(722,474)	(764,342)	(508,234)
75	Plus Depreciation and Amortization	8,988	19,775	21,075	21,325	22,375	23,425	24,475	24,725	25,775	25,650
76	Less Increase in Accounts Receivable	(37,065)	(66,235)	(76,192)	(64,622)	(60,715)	(62,883)	(57,355)	(56,455)	(50,049)	(65,456)
77	Plus Increase in Accounts Payable	76,452	6,617	15,343	5,267	18,155	7,269	15,140	7,797	16,557	8,676
78	Net Cash Provided by Operations:	(561,038)	(818,797)	(742,837)	(656,107)	(743,348)	(733,837)	(804,122)	(746,407)	(772,059)	(539,364)
	Use of Cash from Investing Activities										
79	Equipment	(114,500)	(14,000)	(9,000)	(3,125)	(70,500)	(10,500)	(11,500)	(3,000)	(10,750)	(6,750)
80	Storefront Equipment	0	0	0	0	0	0	0	0	0	0
81	Total use of Cash from Investing	(114,500)	(14,000)	(9,000)	(3,125)	(70,500)	(10,500)	(11,500)	(3,000)	(10,750)	(6,750)
	Cash Flows From Financing Activities										
82	Bank Financing	582,000	681,750	665,250	644,250	819,000	837,000	974,250	988,500	1,060,500	934,500
83	Principal Repayment	(39)	(75,749)	(135,286)	(199,928)	(278,331)	(372,055)	(482,487)	(568,655)	(631,207)	(700,640)
84	Dividends Paid	0	0	0	0	0	0	0	0	0	0
85	Owners' Contribution	194,000	227,250	221,750	214,750	273,000	279,000	324,750	329,500	353,500	311,500
86	Total Cash Flows from Financing Activities	775,961	833,251	751,714	659,074	813,669	743,945	816,513	749,345	782,793	545,360
87	Net Increase (Decrease) in Cash	(875,538)	454	(123)	(158)	(177)	(392)	891	(62)	(16)	(754)
88	Cash, beginning of period	775,961	100,423	100,877	100,754	100,596	100,419	100,027	100,918	100,856	100,839
89	Cash, end of period	100,423	100,877	100,754	100,596	100,419	100,027	100,918	100,856	100,839	100,086

COMPANY X
PROFORMA FINANCIAL STATEMENTS
Balance Sheet
Massachusetts Resale

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Assets										
1	Cash	100,423	100,877	100,754	100,596	100,419	100,027	100,918	100,656	100,839	100,086
2	Accounts Receivable	37,065	103,301	179,492	244,115	304,830	367,713	425,068	481,523	531,572	597,028
3	Vehicles	0	0	0	0	0	0	0	0	0	0
4	Other Work Equipment	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
5	Buildings	0	0	0	0	0	0	0	0	0	0
6	Furniture	48,000	58,000	63,000	65,500	68,000	70,500	73,000	75,500	78,000	80,500
7	Computers - PC	64,000	68,000	72,000	72,000	76,000	80,000	84,000	84,000	88,000	88,000
8	Central Office Switch	0	0	0	0	0	0	0	0	0	0
9	Fiber Electronics	0	0	0	0	0	0	0	0	0	0
10	T1 Terminations	0	0	0	0	0	0	0	0	0	0
11	Interconnect Equipment	0	0	0	0	0	0	0	0	0	0
12	Cable & Wire Loop	0	0	0	0	0	0	0	0	0	0
13	Fiber Network	0	0	0	0	0	0	0	0	0	0
14	CATV	0	0	0	0	0	0	0	0	0	0
15	Internet Equipment	0	0	0	0	0	0	0	0	0	0
16	Plant Under Construction	0	0	0	0	0	0	0	0	0	0
17	Storefront Equipment	0	0	0	0	0	0	0	0	0	0
18	Less Accumulated Depreciation	(8,988)	(28,763)	(49,838)	(70,538)	(28,913)	(48,338)	(67,813)	(92,038)	(113,563)	(134,963)
19	Storefront Accumulated Depreciation	0	0	0	0	0	0	0	0	0	0
20	**Total Assets**	243,000	303,914	367,908	414,173	522,836	572,402	617,673	652,341	687,348	733,150
	Liabilities										
21	Long Term Debt	98	606,099	1,136,063	1,580,387	2,121,055	2,586,000	3,077,763	3,497,608	3,926,901	4,160,760
22	Accounts Payable	76,452	83,068	98,411	103,679	121,834	129,103	144,243	152,040	168,597	177,273
23	**Total Liabilities**	76,549	689,167	1,234,474	1,684,065	2,242,889	2,715,103	3,222,006	3,649,648	4,095,497	4,338,033
	Owners' Equity										
24	Common Stock	194,000	421,250	643,000	857,750	1,130,750	1,409,750	1,734,500	2,064,000	2,417,500	2,729,000
25	Retained Earnings	(609,412)	(1,388,366)	(2,091,429)	(2,709,506)	(3,432,666)	(4,134,314)	(4,920,696)	(5,643,170)	(6,407,512)	(6,915,746)
26	**Total Owners' Equity**	(415,412)	(967,116)	(1,448,429)	(1,851,756)	(2,301,916)	(2,724,564)	(3,186,196)	(3,579,170)	(3,990,012)	(4,186,746)

C \NY X
PROFORMA F. IAL STATEMENTS

Massachusetts Resale

	Financial Tests		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Debt Service Coverage:	[Objective is >1.25]										
1	Net Income (or loss)		14	(778,954)	(703,063)	(618,077)	(723,160)	(701,648)	(786,382)	(722,474)	(764,342)	(508,234)
2	Interest Expense		32,010	98,817	164,570	221,711	280,198	340,662	399,355	399,864	337,312	267,879
3	Depreciation & Amortization		8,988	19,775	21,075	21,325	22,375	23,425	24,475	24,725	25,775	25,650
4	Debt Service Coverage Ratio		39.13	(3.78)	(1.73)	(0.89)	(0.75)	(0.47)	(0.41)	(0.31)	(0.41)	(0.22)
	Equity to Total Assets:	[Objective is >25%]										
5	Equity		13	(967,116)	(1,448,429)	(1,851,756)	(2,301,916)	(2,724,564)	(3,186,196)	(3,579,170)	(3,990,012)	(4,188,746)
6	Total Assets		243,000	303,914	367,908	414,173	522,836	572,402	617,673	652,341	687,348	733,150
7	Equity to Total Asset Ratio		0%	-318%	-394%	-447%	-440%	-476%	-516%	-549%	-580%	-571%
	Current Ratio:	[Objective is >1.0]										
8	Current Assets		243,000	303,914	367,908	414,173	522,836	572,402	617,673	652,341	687,348	733,150
9	Current Liabilities		76,549	689,167	1,234,474	1,684,085	2,242,889	2,715,103	3,222,006	3,649,648	4,095,497	4,338,033
10	Current Ratio		1.00	0.44	0.30	0.25	0.23	0.21	0.19	0.18	0.17	0.17
	Debt to Operating Cash Flow:											
11	Total Debt		98	606,099	1,136,063	1,580,387	2,121,055	2,586,000	3,077,763	3,497,608	3,926,901	4,160,760
12	Net Income		215,000	255,000	270,000	350,000	380,000	451,000	479,000	511,000	462,000	(508,234)
13	Income Tax Expense		130,000	0	0	0	0	0	0	0	0	0
14	Interest Expense		32,010	98,817	164,570	221,711	280,198	340,662	399,355	399,864	337,312	267,879
15	Depreciation & Amortization		8,988	19,775	21,075	21,325	22,375	23,425	24,475	24,725	25,775	25,650
16	Period Total Cash Flow		386,096	979,691	1,591,708	2,173,423	2,803,628	3,401,087	3,980,593	4,433,197	4,771,988	3,946,055
17	Less Cash From Financing		775,961	833,251	751,714	659,074	813,669	743,945	816,513	749,345	782,793	545,360
18	Period Operating Cash Flow		(389,865)	146,440	839,994	1,514,349	1,989,960	2,657,142	3,164,080	3,683,852	3,989,195	3,400,696
19	Debt to Operating Cash Flow Ratio		(0.00)	4.14	1.35	1.04	1.07	0.97	0.97	0.95	0.98	1.22
	EBITDA Margin											
20	Total Revenues		444,782	1,239,606	2,153,909	2,929,375	3,657,961	4,412,557	5,100,817	5,778,277	6,378,881	7,164,331
21	Operating Expenses		1,013,196	1,899,968	2,671,327	3,304,416	4,078,548	4,750,116	5,463,368	6,076,163	6,780,116	7,379,038
22	EBITDA		(568,414)	(660,362)	(517,418)	(375,041)	(420,587)	(337,561)	(362,552)	(297,885)	(401,255)	(214,705)
23	EBITDA Margin		-127.8%	-53.3%	-24.0%	-12.8%	-11.5%	-7.7%	-7.1%	-5.2%	-6.3%	-3.0%
24	Accumulated EBITDA		(568,414)	(1,228,776)	(1,746,194)	(2,121,235)	(2,541,822)	(2,879,383)	(3,241,935)	(3,539,820)	(3,941,075)	(4,155,780)
	Internal Rate of Return											
25	EBITDA		(568,414)	(660,362)	(517,418)	(375,041)	(420,587)	(337,561)	(362,552)	(297,885)	(401,255)	(214,705)
26	Capital Expenditures		114,500	14,000	9,000	3,125	70,500	10,500	11,500	3,000	10,750	6,750
27	Net		(682,914)	(674,362)	(526,418)	(378,166)	(491,087)	(348,061)	(374,052)	(300,885)	(412,005)	(221,455)
28	5-Year Return		#NUM!									
29	10-Year Return		#DIV/0!									
	Exit Multiples											
	Based on Access Lines											
30	Access Lines		800	1,600	2,400	3,200	4,000	4,800	5,600	6,400	7,200	8,000
31	Sale Value per Access Line		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
32	Sale Value Net of Debt		1,999,902	3,393,901	4,863,937	6,419,613	7,878,945	9,414,000	10,922,237	12,502,392	14,073,099	15,839,240
	Based on EBITDA											
33	EBITDA		(568,414)	(660,362)	(517,418)	(375,041)	(420,587)	(337,561)	(362,552)	(297,885)	(401,255)	(214,705)
34	EBITDA Multiple		6	6	6	6	6	6	6	6	6	6
35	Sale Value Net of Debt		(3,410,583)	(4,568,270)	(4,240,572)	(3,830,630)	(4,644,579)	(4,811,366)	(5,253,074)	(5,284,920)	(6,334,432)	(5,448,990)
	Based on Net Income											
36	Net Income		(609,412)	(778,954)	(703,063)	(618,077)	(723,160)	(701,648)	(786,382)	(722,474)	(764,342)	(508,234)
37	Net Income Multiple		10	10	10	10	10	10	10	10	10	10
38	Sale Value Net of Debt		(6,094,218)	(8,395,637)	(8,166,695)	(7,761,152)	(9,352,658)	(9,602,480)	(10,941,581)	(10,722,351)	(11,570,323)	(9,243,099)

TRA Project
Simple Variable Input

One Party Residential Rate	17.83
Subscriber Line Charge	3.50
One-Party Business Rate	27.62
Trunk Rate	92.03
Subscriber Line Charge	8.13
Unbundled Loop Rate	20.04
Loop Nonrecurring Rate	40.00
Wholesale Resale Discount	24.99%
State	Massachusetts UNE Massachusetts Resale
FLAG 1 = Resale 2 = UNE Loops	1

Owner's Contribution	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resale	194,000	227,250	221,750	214,750	273,000	279,000	324,750	329,500	353,500	311,500
UNE	526,750	168,000	40,000							

Appendix B

Comparative Analysis
State by State "Feasibility Gap"

STATE	STATE %	BREAKEVEN %	FEASIBILITY GAP
Alabama	13.15%	47.50%	-34.35%
Arizona	17.00%	47.30%	-30.30%
Arkansas	14.50%	43.00%	-28.50%
California	14.50%	34.10%	-19.60%
Colorado	14.35%	44.60%	-30.25%
Connecticut	32.50%	45.20%	-12.70%
Delaware	10.49%	40.20%	-29.71%
District of Columbia	16.57%	40.30%	-23.73%
Florida	19.32%	41.10%	-21.78%
Georgia	20.30%	44.60%	-24.30%
Idaho	15.00%	46.50%	-31.50%
Illinois	22.04%	44.00%	-21.96%
Indiana	26.62%	36.80%	-10.18%
Iowa	19.39%	48.80%	-29.41%
Kansas	14.90%	41.40%	-26.50%
Kentucky	16.17%	45.00%	-28.83%
Louisiana	20.72%	44.30%	-23.58%
Maine	19.80%	44.60%	-24.80%
Maryland	14.18%	42.50%	-28.32%
Massachusetts	24.99%	38.90%	-13.91%
Michigan	25.00%	36.40%	-11.40%
Minnesota	23.20%	39.80%	-16.60%
Mississippi	15.75%	35.00%	-19.25%
Missouri	22.86%	42.20%	-19.34%
Montana	12.00%	43.90%	-31.90%
Nebraska	21.53%	41.70%	-20.17%
Nevada	10.37%	48.80%	-38.43%
New Hampshire	19.04%	39.70%	-20.66%
New Jersey	17.40%	41.10%	-23.70%
New Mexico	16.73%	38.20%	-21.47%
New York	19.10%	37.90%	-18.80%
North Carolina	21.50%	38.70%	-17.20%
North Dakota	16.15%	43.60%	-27.45%
Ohio	14.29%	52.70%	-38.41%
Oklahoma	17.95%	42.30%	-24.35%
Oregon	21.00%	43.50%	-22.50%
Pennsylvania	23.12%	37.10%	-13.98%
Rhode Island	17.00%	35.00%	-18.00%
South Carolina	14.80%	39.20%	-24.40%
South Dakota	12.00%	42.30%	-30.30%
Tennessee	16.00%	42.40%	-26.40%
Texas	21.60%	34.10%	-12.50%
Utah	10.65%	49.20%	-38.55%
Vermont	23.10%	35.00%	-11.90%
Virginia	20.05%	41.40%	-21.35%
Washington	17.00%	53.90%	-36.90%
West Virginia	15.05%	31.80%	-16.75%
Wisconsin	19.18%	40.30%	-21.12%
Wyoming	18.24%	46.10%	-27.86%
Average	**18.13%**	**41.92%**	**-23.79%**

Appendix C

Cost of Switching Analysis
Lease Versus Buy

Appendix C Explanatory Notes

The attached analysis compares the cost of switching for a competitive local exchange carrier (CLEC) with the other primary unbundled network element costs of service. Those costs are transport, leasing unbundled loops, and ancillary service (including operator services and non-recurring charges).

The results indicate that for small CLECs, requiring the purchase of a switch consumes approximately 40% of total cost of service, compared with 13% for leased switching capacity.

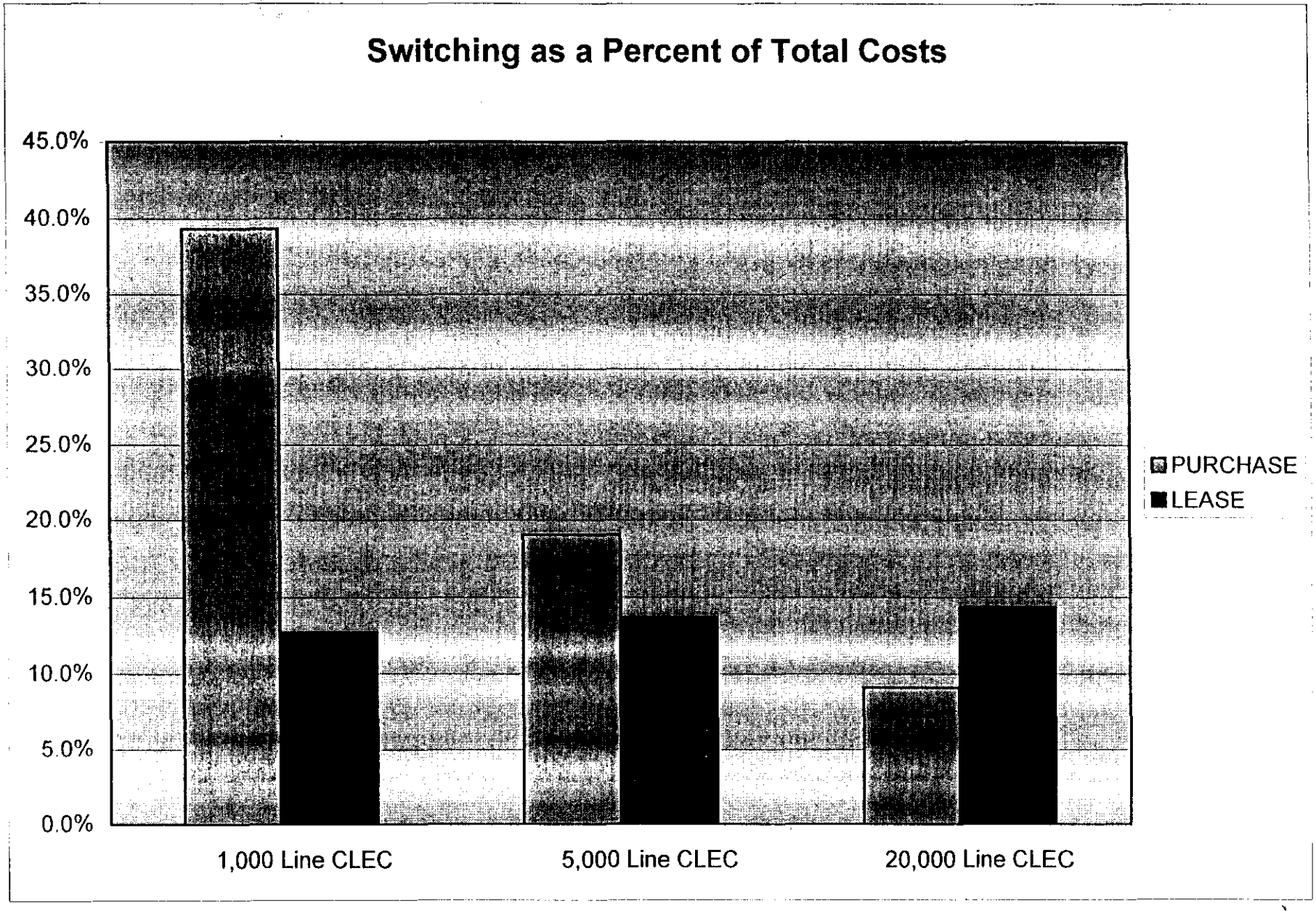
At the large end, switching is a significantly smaller component of overall cost of service when purchasing a switch, approximately 10%, compared with a stable leased cost percentage of 14%.

Clearly, the cost of switching, particularly for small CLECs in large markets, or smaller market CLECs, is a significant component of the overall cost of service.

Cost of Switching Analysis
Lease vs Buy
Actual and Percentage Costs of Service

	1,000 Line CLEC		5,000 Line CLEC		20,000 Line CLEC	
	Purchase	**Lease**	**Purchase**	**Lease**	**Purchase**	**Lease**
ACTUAL COSTS						
Switching (1)	207,833	46,738	344,611	232,394	553,833	928,043
Transport	59,656	59,656	298,281	298,281	1,193,122	1,193,122
Loops	173,522	173,522	867,612	867,612	3,470,449	3,470,449
Ancillary	87,557	87,557	298,985	298,985	873,155	873,155
Total Cost of Service	528,569	367,473	1,809,488	1,697,271	6,090,559	6,464,769
PERCENTAGE OF COSTS						
Switching	39.3%	12.7%	19.0%	13.7%	9.1%	14.4%
Transport	11.3%	16.2%	16.5%	17.6%	19.6%	18.5%
Loops	32.8%	47.2%	47.9%	51.1%	57.0%	53.7%
Ancillary	16.6%	23.8%	16.5%	17.6%	14.3%	13.5%
Total Cost of Service	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Switching cost for switch purchase based on overall switching costs, depreciation costs, interest expense, central office costs, and technician costs over total annual minutes for a single switch.


Switching as a Percent of Total Costs
45.0%
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
PURCHASE
LEASE
1,000 Line CLEC
5,000 Line CLEC
20,000 Line CLEC

Appendix D

White Paper
Extended Loop UNEs

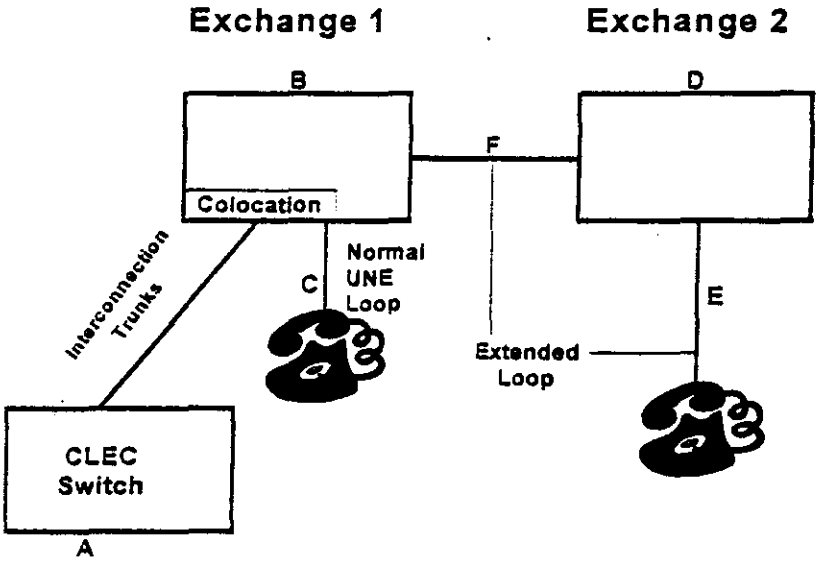
EXTENDED LOOP UNEs

The issue to be explored in this paper is the possibility of creating an Extended Loop Unbundled Network Element (UNE) for CLECs. An Extended Loop UNE would allow a CLEC to order loops from an RBOC exchange other than the exchange where they own a switch. The following topics will be examined. First, what exactly is an Extended Loop UNE? We'll look at how such a UNE might function in the public switched network. Next we'll look at why having an Extended Loop UNE is important to CLECs. We will then explore the technical problems with provisioning extended voice loops. We will also explore the issue of setting a reasonable price for an Extended Loop UNE that would meet competitive financial parameters. Finally, we will propose a specific solution for Extended Loop UNEs that is feasible from both a technical and a cost perspective.

Definition of an Extended Loop UNE

The Diagram below demonstrates how an Extended Loop UNE might function in a typical CLEC scenario. In this scenario, a CLEC has installed a switch and has physically collocated in an RBOC exchange. The availability of an Extended Loop UNE would allow the CLEC to connect directly to customers, using UNE loops, in other RBOC exchanges in the LATA. Such a use of Extended Loop UNEs would allow a CLEC to use one switch efficiently by serving customers in many exchanges around the base exchange, within the limitations of the economic cost of purchasing long length Extended Loop UNEs.

Extended Loop UNE



The diagram is the simplest demonstration of how an extended loop UNE might work: The CLEC owns a switch in RBOC Exchange 1 (**Box A**). With this switch, and with a collocation in RBOC local switch 1 (**Box B**), the CLEC is able to order UNE loops to provision customers within the exchange boundaries of Exchange 1, such as the customer shown (**Loop C**). Extended Loop UNEs come into play as an alternate method of serving customers in RBOC Exchange 2 (**Box D**). The CLEC has several options available to serve Customer E. First, the CLEC can build a second switch in RBOC exchange 2. This is almost never economically efficient, at least as compared to using the existing switch in Exchange 1 to its full capacity to serve both exchanges.

A second option for serving Customer E is to use the current switch A, but to also collocate in RBOC exchange 2 (**Box D**). Collocation typically costs a CLEC around $200k in initial investment, plus collocation incurs significant ongoing annual expense to maintain, so it can only be justified when the CLEC expects to acquire a significant number of customers in Exchange 2. In addition to the direct costs of collocation, the CLEC must also purchase or construct trunk transport between RBOC exchanges 1 and 2 (**Route F**) to use this method.

We should note that there are two types of collocation, physical and virtual. In physical collocation, the CLEC installs its own equipment and has physical access to the equipment. With virtual collocation, the CLEC purchases the equipment and the RBOC maintains and runs the equipment with no CLEC access. We point these out because while virtual collocation is less expensive to set-up and maintain, we do not believe that there are many CLECs would trust the complexity of installing and maintaining Extended UNE Loops entirely to an RBOC. This, physical collocation is too expensive and virtual

collocation is not practical for most CLECs, at least in an environment of complicated voice loop muxing and demuxing.

A final option to serve customer E is to lease switching in Exchange 2 using the Switching UNE from the RBOC in exchange 2. However, since we are exploring a switch-based CLEC, the assumption is that this is not a preferred option. We are supporters of the use of the switching UNE in the right situations, but in this case, the use of UNE switching in one exchange and of an actual switch in the exchange next door would cause several problems. First, each method requires a totally different method of provisioning. Provisioning is probably the hardest thing for a CLEC to perfect, so provisioning customers in two such different ways has serious implications on the quality of service. Additionally, the manpower and tasks required are very different for the two methods of switch provisioning – using both methods in the same city can only add confusion and cost to a CLEC operation. We are not advocating that CLECs don't use the switching UNE, we are cautioning against the practicality of mixing UNE switching and a real switch in the same local operation. Again, once we have paid for the switch and trained the manpower to use it, then any savings from using the switching UNE are far offset by the operational considerations the switch creates.

The current two choices, additional collocations or the use of the switching UNE, can thus be a major limiting factor for the ability of a small start-up CLEC to grow and expand. For example, in many metropolitan areas, the RBOC may own a dozen or more switches, and the cost of collocating in all of them could easily exceed several million dollars of investment. Additionally, the cost of providing trunking between the offices can also be a large annual recurring cost. During the early years of a CLECs growth cycle, such investments and expenses create a huge barrier to market entry.

The CLEC will obviously choose the option that is the most sensible economic and operational choice. However, at this time, since Extended Loop UNEs are not available, the options for a CLEC boil down to using full collocation in every exchange where a loop is to be purchased or to use UNE switching. We believe that allowing the Extended Loop UNE is major new alternative that is far different in cost and operational characteristics of either current choice.

In the Diagram, the Extended Loop UNE would consist of two parts. First is the loop to the customer in the second exchange (**Loop E**). Additionally, the RBOC must agree to carry this loop over the interoffice facilities (**Route F**) back to the collocation interconnect point in RBOC Exchange 1. The total extended loop is comprised, then, of the elements of the local loop in a remote office, bridging to get to the interoffice transport, the physical transport between RBOC offices and finally any bridging needed to connect this extended loop into the CLEC's collocated equipment.

Why are Extended Loop UNEs Important to CLEC?

Extended Loop UNEs are very important to CLECs because they currently have so few and such poor options when operating in an RBOC area comprised of a number of local switches, such as most metropolitan areas. In areas with many RBOC switches, the CLEC currently has no reasonably economic way to serve customers in many offices. The cost of obtaining the ability to serve in many offices is a major roadblock to start-up CLECs. No current scenario for obtaining loops in multiple offices is financially attractive for a start-up CLEC. Again, the cost of collocating in many offices requires massive upfront capital investments far in advance of customer acquisition. Further, the expensive cost of collocation will, of itself, eliminate many RBOC offices as ever being economically viable places for a CLEC to serve. This inability for CLECs to easily serve in multiple offices is a major competitive disadvantage. For example, such a CLEC will have difficulty acquiring customers who have locations in multiple LEC switches. For example, a very popular CLEC product is to provide the ability for a customer to obtain a company-wide centrex dialing scheme across all locations within a city or even larger calling area. The need to collocate in order to add a few centrex lines in an RBOC office is not an attractive scenario.

CLECs need some new methodology for allowing them to gain reasonably priced access to customers within all parts of a metropolitan calling area. Anything less than this is a de facto barrier to effective competition. Extended Loop UNEs, if workable, promise one possible solution to this problem.

What are the Barriers to Creating Extended Loop UNEs?

There are some physical and technical barriers to creating Extended Loop UNEs for voice service using a scheme as shown in the diagram above. These limitations do not extend to the provision of T1 loops, as will be discussed in more detail below. The major barrier to providing Extended Loop UNEs is that the RBOCs do not routinely provide or provision very many dedicated voice paths between offices. Almost all interoffice transmission in today's network is done using trunking schemes that send multiple calls over the same pair of wires at the same time. However, in order to meet the needs of a CLEC using an Extended Loop UNE, an RBOC would need to dedicate significant facilities and bandwidth to provide multiple dedicated clear transmission paths.

Since such a dedicated transmission path is rarely provided by the RBOCs, they will probably claim, rightfully so, that they will not have the facilities available to offer these UNEs in the huge quantities that might be needed if Extended Loop UNEs were offered at an affordable price to CLECs. Certainly, the current network is not designed to deliver such dedicated paths in large quantities. The only similar product in place today, usually called Foreign Exchange or FX service, is available as a relatively high-priced retail service. There are relatively few FX circuits provisioned at most RBOC switches.

The RBOCs in many states currently offer a UNE that is very similar to the Extended Loop Voice UNE in the form of an unbundled T1 loop extension. A T1 loop differs from a voice loop in that a T1 loops consists of two dedicated pairs instead of just the one pair needed for voice transmission. Additionally, the T1 loop and any interoffice extension of the loop, have additional line treatment in the form of repeaters that allow the maintenance of the signal along the path over distance. The RBOCs are able to offer T1 interoffice UNE extensions in quantity since the T1 is the basic building block of the trunking network. The equipment on the trunk side of a switch is designed to handle multiple T1 trunks.

In summary, the major barrier to providing large quantities of Extended voice Loop UNEs is that the current network was not designed to carry large numbers of dedicated single line voice paths between offices. The scenario of vast quantities of spider-webbed UNEs between all of the offices in a metropolitan area is a network designer's nightmare.

What is a Reasonable Price for An Extended Voice UNE Loop?

Unbundled Loop UNEs for voice transmission will only work for CLECs if they are available at reasonable rates. A reasonable rate is one that is somewhat higher than a normal UNE loop, but far less expensive than the fully loaded cost of collocation.

In order to understand how the RBOCs might propose to price Extended Loop UNEs, we looked at the pricing for Extended T1 UNEs. The first thing we noticed when looking at the prices for T1 UNE Loops is that they seem out of line when compared to the price of individual voice loops. A T1 Loop UNE is comprised of a two loop path to a customer within an exchange, plus the additional electronics to provide signal propagation. The electronics required to provide T1 repeaters are relatively inexpensive, so one would expect to find T1 Loop UNEs priced at slightly more than twice the price of an individual voice Loop UNE. However, this is not the case. In looking at a dozen states to prepare this paper, we found that voice loop UNEs average around $20 a month in most states. However, the Unbundled T1 Loop UNE varied in price from between $63 and $168 per month. In addition to being overpriced, there are also often significant nonrecurring charges associated with T1 UNE Loops when compared with a voice Loop UNE. It appears to us that most state Commissions have ignored the TELRIC method when setting T1 Loop UNE prices. It seems logical to us that if a voice loop is priced at $20 per month (something we think is also too high), then the cost of a T1 loop should not be more than $50 per month.

On the other hand, the state Commissions have, for the most part, reasonably priced the interoffice extension portion of a T1 Loop. Remember that an Extended T1 loop consists of the end user T1 loop, transport between offices and any necessary bridging. T1 Loop interoffice transport seems to be priced much nearer to TELRIC costs than is the actual T1 loop itself. The retail rates for interoffice transport for end-user T1s between RBOC offices ranges from $12 to $30 per mile per month. The UNE mileage price in most

states is from $3 to $7 per mile per month. If we assume this cost is near to TELRIC pricing, then the reasonable cost of voice UNE Loop transport should be from $1 to $3 per mile per month. However, as mentioned above, since the RBOCs do not routinely send DS0s over trunk facilities, this may be a moot point.

Is There a Reasonable Solution for Providing Extended Loop UNEs?

Our conclusion is that there are probably network limitations to providing voice Extended Loop UNEs over the current switched network. Such a use of trunking facilities is inefficient, and the resultant maze of point-to-point UNEs that would criss-cross a metropolitan network would create a jumbled network.

There is an alternative method of provisioning Extended Loop UNEs that takes these network limitations into consideration. This new unbundled element we are proposing would allow a CLEC to order a channelized T1 interoffice UNE, and to use this UNE to provision up to 24 individual voice loop extension UNEs. We will name this new rate element the Extended Muxed Loop UNE. An Extended Muxed UNE would have the following features:

1. First, by using T1s as the transmission medium, this UNE would functionally look and act like other T1 trunks in the network. This would eliminate the RBOCs objections to trunking individual DS0 loop extensions throughout the network.
2. The CLEC would be required to purchase an entire T1 worth of interoffice transport capacity, even to provision just one interoffice voice loop. However, if the UNE were priced such that there was a base charge for the muxed T1 capacity, plus an additional charge for each voice channel muxed, then this should still be considerably less expensive than the alternative of having to collocate in an office to reach customers there.
3. The CLEC would not be required to collocate, either physically or virtually, in the second office. The RBOC would charge, on a UNE basis, a fee for the T1 extension, the bridging necessary to get a voice path to the T1, and any muxing fee to get the individual loop onto the T1 path. The muxed T1 would be delivered to the CLEC at the office of his choice, in our example, to the office where the switch resides.
4. Interoffice transport pricing might well be made mileage sensitive, meaning that this UNE would be most useful in metropolitan environments where RBOCs have many separate switches in a condensed geography. This UNE would not automatically be cost-efficient on a LATA wide basis to all offices.
5. The specific elements comprising a fully utilized Extended Muxed Loop UNE as proposed would consist of the following:

    a) Up to 24 voice Loop UNEs in an exchange remote from the CLEC switch.

b) Muxing for each voice Loop UNE in order to combine each of the 24 loops onto a channelized T1 trunk.
c) 1 Interoffice T1 Loop Extension
d) Bridging in the CLEC switch exchange in order to deliver the T1 to the CLEC's collocated equipment.

There are a few hurdles required to create such a UNE. It would be helpful if the FCC were to investigate such a UNE in more detail and were to require it of the RBOCs as a way to promote start-up CLECs to branch out to serve more exchanges. The alternative is for CLECs to use the Bona Fide Request process to request this element, but we would not be hopeful that such a request would be successful. The creation of this new UNE would also require a supplementary ruling that the use of the UNE would not require collocation in the second office. Otherwise, the entire motivation for the creation of such a UNE is lost. Finally, such a UNE would need to be reasonably priced. We believe the Supreme Court has clearly given pricing jurisdiction to the FCC. Since this new UNE would only be useful if priced properly, then the RBOC's costs to provide this service would need to be closely examined. It seems to us that T1 Loop UNE prices have not been prices even remotely near to TELRIC and that the first stage for creating this new UNE might be to first look at the T1 Loop UNE prices. In the end, we know what the price must be to allow sufficient margins for CLECs to want such an element.. If the price of an unbundled loop is around $20 per month, then the total cost of all components of the Unbundled Extended Loop can't be too much higher than that, maybe $25, or there will be no economic incentive for the CLEC of using such a UNE. If priced higher than that, there is not enough margin between the cost of the loop and the retail price of any service that can be sold using such a UNE.

Attachment A

Bell Atlantic Press Release
May 11, 1999

"UniDial Communications and Bell Atlantic Sign Largest-Ever Resale Agreement"

UniDial Communications and Bell Atlantic Sign Largest-Ever Resale Agreement

UniDial to Resell 200,000 Bell Atlantic Local Lines in Return for Steep Discounts on Wholesale Rates

May 11, 1999

Media contact: Susan Gosselin, UniDial 502-394-0789, ext. 1120
Maureen Flanagan, Bell Atlantic 212-395-3519

LOUISVILLE, Ky./NEW YORK -- In the largest-ever resale contract signed by Bell Atlantic and a wholesale customer, UniDial Communications has agreed to resell at least 200,000 Bell Atlantic telephone lines over five years to business customers throughout the regional Bell's service area.

In return for this commitment, Bell Atlantic has agreed to substantially increase the wholesale discount on those lines. Also, as part of the contract, UniDial -- a telecommunications reseller serving businesses -- will use Bell Atlantic's network to handle regional toll calls for its customers.

Under the agreement, UniDial will expand its presence to offer local phone service to businesses throughout Bell Atlantic's region, which includes the states of Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia and West Virginia, as well as Washington, D.C.

UniDial currently offers local service in eight of these states, mainly in the northeast, through its newly acquired subsidiary, Metracom. In June, Metracom will take on the UniDial name, and much of the company's expanded local service operation will be based in Metracom's current Boston offices.

"At UniDial, we consider local service a critical part of our future as a full service communications provider," said J. Sherman Henderson, III, president and chief executive officer of UniDial Communications. "We've

built our business on the idea that customers want a truly integrated product set for local, long distance and data services. Local service is an essential piece of the puzzle to truly be a one-stop shop for our customers."

As part of the deal -- valued at approximately $300 million over five years -- Bell Atlantic will increase the wholesale discount currently provided to UniDial by 10 percent in the first year, 13 percent in the second year, and 15 percent during each of the following three years. The discounts are contingent upon UniDial meeting annual volume commitments for resale of Bell Atlantic phone lines.

"This agreement provides for a substantial increase in margins that will enable UniDial to continue to build its business in a financially responsible manner," said Henderson.

To date, Bell Atlantic has sold 725,000 lines to approximately 100 companies that resell telephone service to their own customers.

"This agreement demonstrates an increased commitment from Bell Atlantic to the local resale business," said Ernie Kelly, president of the Telecommunications Resellers Association. "Bell Atlantic's action can serve as a model for the rest of the industry. I urge other regional Bell companies and GTE to follow Bell Atlantic's lead by taking the wholesale business more seriously and opening their local markets to competition."

Jack Goldberg, president of Bell Atlantic's Telecom Industry Services, said: "We're very excited about the prospects of working with UniDial on an agreement this large. UniDial is a proven performer in the telecommunications industry and we're committed to helping it further expand to meet its goals.

"Local service resale is a viable business and Bell Atlantic intends to be a leading wholesale provider," said Goldberg. "This deal demonstrates once again that Bell Atlantic is making every effort to work with UniDial and other resellers to promote the kind of competition that will move the whole industry forward."

UniDial's services currently are sold through a network of more than 400 UniDial

Authorized Agents and more than 120 UniDial direct sales representatives in 17 cities across the U.S.

About UniDial:
UniDial, in conjunction with its vendor partners, offers an integrated suite of telecom services to its 80,000 small- and medium-sized business customers. Founded in 1993, UniDial is a privately held company headquartered in Louisville, Ky., and was recently ranked 19th in Inc. Magazine's list of America's fastest growing private companies. For more information about UniDial, visit its web site at www.unidial.com.

About Bell Atlantic:
Bell Atlantic is at the forefront of the new communications and information industry. With 43 million telephone access lines and nine million wireless customers worldwide, Bell Atlantic companies are premier providers of advanced wireline voice and data services, market leaders in wireless services and the world's largest publishers of directory information. Bell Atlantic companies are also among the world's largest investors in high-growth global communications markets, with operations and investments in 23 countries.

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